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CHAPTER 2

Does governance perform? Concepts, evidence, causalities, and research strategies¹

Chris Skelcher

Abstract

This chapter explores the relationship between the new forms of public governance and public service performance, and provide an agenda for research. The chapter starts with a discussion of the two key concepts - governance and performance – and then explores the theoretical relationship between them. In the next section, the focus turns to the empirical evidence on the impact of governance forms on organisational performance, which is found to be limited. The chapter then explores two ways forward for research. One approach is to examine the multiple possible causalities between governance and performance. The other is to adopt an interpretivist approach to the critical examination of the sets of governance design solutions embedded in prevailing discourses. The paper argues that this offers practical benefits for those engaged in designing governance arrangements that are intended to enhance performance.

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INTRODUCTION

Public service reform programmes have created a greater diversity in the governance arrangements for making and delivering public policy. The traditional archetype for public service organisations – the politically headed bureau - has lost its monopoly in the face of experimentation with a range of corporate forms. It is now common to find such governance forms as arm's length executive agencies (Pollitt, Bathgate, Caulfield, Smullen and Talbot 2001), multi-organisational collaboratives (Sullivan and Skelcher 2003), public-private partnerships (Skelcher 2005b), quasi-governmental hybrids (Koppell 2003), and public interest companies (Prabhakar 2004). These governance changes are closely related to debates about public service performance. For example, one rationale for moving away from the politically headed bureau and towards other forms of governance is that it enables greater discretion to be exercised by managers within an incentive-based performance framework (Boyne, Farrell, Law, Powell and Walker 2003). Managers freed from the constraints of day-to-day political supervision are assumed to be able to apply a technical rationality that will enhance the organisation's performance (Clark and Newman 1997). The new governance forms also potentially offer gains in democratic performance by opening additional pathways into the public policy process. For example, neighbourhood regeneration boards often include local residents and community organisations as well as civic officials and business leaders.

However there are arguments that change to governance arrangements lead to undesirable consequences. Firstly, the quasi-governmental status of new governance forms introduces concerns about confused and weak accountability (Rhodes 1997). Secondly, the fragmentation of large bureaux into congeries of smaller quasi-autonomous bodies potentially degrades the performance of the public policy system as a whole. Significant transaction costs and institutional barriers create problems of reaching agreement between multiple semi-autonomous jurisdictions in relation to over-arching public policy goals (Skelcher 2005a).

The purpose of this chapter is to explore the relationship between the new forms of public governance and public service performance, and provide an agenda for research. To date, there has been little systematic research on the relationship between governance and performance. Debate is driven by theoretical propositions and individual case examples rather than an integrated corpus of empirically based knowledge. Consequently academics do not have a strong basis from which to inform policy design by governments. This chapter starts with a discussion of the two key concepts - governance and performance – and then explores the theoretical relationship between them. In the next section, the focus turns to the empirical evidence on the impact of governance forms on organisational performance. The chapter then explores two ways forward for research. One approach is to examine the multiple possible causalities between governance and performance. The other is to adopt an interpretivist approach to the critical examination of the sets of governance design solutions embedded in prevailing discourses. The paper argues that this offers practical benefits for those engaged in designing governance arrangements that are intended to enhance performance.

THE CENTRAL CONCEPTS: GOVERNANCE AND PERFORMANCE

Governance

At its most abstract level, 'governance' is a way of conceptualising the means of social co-ordination (Mayntz 1993; Kooiman 2003) (table 1). Within the public management field, however, the discussion typically revolves around the question of 'modes' of governance. This is normally formulated in terms of the triptych of hierarchy, market and network, and debate hinges on the relative impact of each in terms of public service performance, a point discussed in more detail below. The concept of governance therefore takes on normative as well as descriptive/analytical connotations, especially in the

context of the powerful theoretical and political motivations to moderate public service hierarchies with a strong dose of market forces. Finally, it is important to be aware that governance is frequently employed in an oppositional pairing with government, to describe the network arrangements for steering and co-ordinating public, private and not-for-profit activity that have replaced hierarchical, state-centred policy-making and delivery (Rhodes 1997). This relationship has recently been subject to some critical analysis (e.g. Davies 2000).

Table 1: Governance concepts: analytical distinctions

Concept	Definition
Governance	A means of social coordination
Mode of governance	Co-ordination through hierarchy, market or network
Public governance	The corporate structures applied to organisations that make and manage public policy

‘Public’ governance refers to the different corporate arrangements applied to the organisations through which public policy is shaped, made and executed. Public governance includes the formal constitutional design and legal status of these bodies. For example, it includes the rules that set out how a legislature and executive is to operate, or how a public-private partnership is to be held accountable. A similar usage is found in the ‘governance and performance’ literature in the US, where Lynn, Heinrich and Hill (2001: 7) talk about governance in terms of ‘the regime of laws, rules, judicial decision, and administrative practices that constrain, prescribe, and enable the provision of publicly supported goods and services’.

Performance

Performance is conceptualised in three ways (table 2). The *organisational performance* of public service bodies is typically constructed with reference to

the metrics of effective implementation, productivity, service outcomes, and client satisfaction (de Bruijn 2002). The basis on which judgements about performance are made draws principally on measures of efficiency, effectiveness, service quality, and compliance with normative standards. The UK, with its extensive array of performance indicators and targets for all public services, is a particular example of this model. The logic of this emphasis on transparent data on organisational performance can be constructed in public choice terms. Theoretically it should incentivise top-level decision-makers to take corrective action to address less than satisfactory performance, with the added impetus that failure so to do may have undesirable results at the ballot box or in terms of external intervention by higher levels of government.

Table 2: Performance domains: analytical distinctions

Concept	Definition
Organisational performance	The substantive outputs and outcomes of a public organisation
Democratic performance	The extent to which a public organisation is able to demonstrate mechanisms for legitimacy, consent and accountability
System performance	The degree integration of a system of public organisations

However this argument has an important flaw, since changes in governance arrangements in the UK and a number of other countries have relocated areas of public service outside of direct control by elected politicians. The relationships between organisations delivering public policy and the democratic system that defines the goals to be achieved vary from those that are tightly coupled (the minister heading a central government department) to others that have an arm's-length relationship to elected politicians (public interest companies and multi-organisational collaborations). This observation introduces a requirement to consider the democratic performance of public service organisations.

Democratic performance refers to the extent to which the governance arrangements of an organisation enable the exercise of legitimacy, consent and accountability (Mathur and Skelcher forthcoming). Legitimacy refers to the political validation of institutional authority, consent concerns the capacity of citizens and other relevant actors to agree courses of organisational action, and accountability involves the explanation of action linked to renewal or revocation of mandate by the principal.

Finally, performance needs to be conceptualised in terms of the overall functioning of the governmental system and its capacity to co-ordinate activities and resolve collective action problems across jurisdictions. This is termed *system performance*. Questions of system performance are inherent in governance design. Where there are large politically headed bureaucracies, system performance is potentially sub-optimal due to the rigidities of organisational domains. In situations of decentralisation and flexible governance, problems of coordination across multiple jurisdictions arise.

Relationships between mode of governance and public service performance

The discussion thus far has begun to indicate some theoretical relationships between the governance modes of hierarchy, market and network, and the organisational, democratic and system dimensions of public service performance (table 1). Hierarchical modes of governance appear to offer a means of high organisational performance through bureaucratic control, with a clear link to political principals, thus assuring democratic performance. System performance is high due to the limited number of public service organisations. However these benefits need to be set against the potential for rigidity and proceduralism, and the inter- and intra-departmental political contest (Peters 2000). In contrast, market modes of governance offer

enhanced organisational performance as central regulation decreases, but with increased transaction costs. Democratic performance is reconfigured away from detailed delivery issues and towards goal definition and outcome accountability, while system performance is potentially reduced due to contract lock-in and increases in self-interested behaviour in the absence of central control. Finally, network modes of governance suggests gains in organisational performance due to flexibility of forms in a collaborative environment, and with a transformation of the means of democratic performance from a top-down representative system to more interactive modes of decision-making (Edelenbos and Klijn 2006). Network governance may be a co-coordinative instrument better suited to the complex, distributed authority of 'hollowing-out' and contemporary global society. This normative conception of network governance draws from theoretical positions that emphasise the generative power of co-operation and resource sharing by public and other actors to achieve social goals, in contrast to the command and coercive power of government (Pierre and Peters 2000).

The empirical evidence on these hypothesised relationships is limited and to date has not been systematically codified and examined. Most progress in this task is being made in a major series of studies in the US, associated with the 'governance and performance' project (e.g. Heinrich and Lynn 2000; Lynn, Heinrich and Hill 2001). This project is a systematic empirical (predominantly quantitative) examination of the relationships between forms of governance, methods of management and public service performance. A recent meta-analysis of the literature in the field has concluded that the majority of evidence thus far is on the relationships between management and performance, and that there is a key gap in terms of the impact of governance (Hill and Lynn 2005). However there are extant research designs to further empirical work in this field (Skelcher forthcoming), and some initial work is being undertaken in respect of the performance effects of network modes of governance (e.g. O'Toole and Meier 2004). For the purposes of this paper, however, we now turn from the broader issue of modes of governance to a consideration of the specific issue of the corporate structure of public organisations.

Table 3: Theoretical relationships between modes of governance and performance domains

	Performance Domains			
		Organisational	Democratic	System
Mode of Governance	Hierarchy	Bureaucracy provides means for efficient organisation of work, leading to effective outcomes; however proceduralism, rational choice, etc. pose constraints on this organisational form.	Strong democratic performance in theory due to politically headed public service bureaucracy; but constrained by power of professionals and managers. Strong procedures for democratic performance may limit responsiveness and flexibility.	High system performance in theory, although this will be limited by frictional and structural conflicts between politically headed bureaucracies, and gaps in service provision between them
	Market	Potential to increase organisational performance due to efficiency gains implicit in contracting and innovation arising from market context, although these need to be compensated by increased transaction costs	Increases focus by politicians on the definition of service, thus enhancing accountability. Reduces democratic accountability of service provision due to inflexibility in contracts and market orientation.	Reduces potential for alignment and change at the level of service delivery, due to the contractually-defined nature of service provision
	Network	Potential to increase organisational performance due to loose coupling to formal representative democratic institutions, flexibility in constitutional arrangements, incorporation of key stakeholders and managerial discretion	Weakening of traditional forms of democratic performance through representative democracy; potential strengthening through emergence of deliberative democratic forms	Possible reduction of system-wide coherence and problems of co-ordination and collective action on overarching public policy goals; however potential for institutional creation to meet more specific needs, leading to more responsive system overall

EMPIRICAL PERSPECTIVES ON GOVERNANCE AND PERFORMANCE

The form of public governance can be understood as embodying assumptions about the 'right' or 'best' way to constitute an entity in order to deliver a desired level of organisational performance. The public service reform movement associated with new public management and its variants reflects a change in these normative assumptions when compared with traditional public administration. For example, the new discourse privileges arm's-length public bodies over politically controlled departments on the theoretical grounds that their non-partisan boards will facilitate efficient decision-making and effective managed service delivery. The democratic accountabilities of politically headed bureau are regarded as less preferable on the theoretical grounds that their organisational performance will be sub-optimal (Skelcher 1998).

These positions lead to the question of whether there is a discernable difference in the performance of different forms of public governance. For example, is a multi-agency collaboration structured as a company limited by guarantee likely to lead to better or worse performance than one constituted as an unincorporated association? If evidence on the relationship between forms of governance and performance can be adduced, this would offer the possibility for advances in both theory and policy design. The issues involved in such research are conceptually and methodologically complex (Skelcher forthcoming). Here, some of the key evidence is explored, as a basis for reconsidering the nature of the governance-performance relationship.

Public governance and organisational performance

The first set of studies relates to the institutional economics-inspired theory that underlies much recent public management reform. This predicts improvements in organisational performance where an entity gains greater

autonomy from politicians and greater engagement with market forces. Dunsire, Parker and colleagues examined these propositions in a study of ten UK public service organisations that had changed their governance arrangements (Dunsire, Hartley and Parker 1991). Some had been privatised while others changed status within the public sector, for example from government department to public corporation or trading fund to executive agency. Dunsire *et al*'s hypotheses were that improvements in performance (defined as productivity, employment and financial ratios) would be positively associated with three changes:

- (a) Movement in corporate status away from government department and towards privatisation, by way of intermediate levels of autonomy. The argument here is that this increases the exposure of the entity to the policing role of the capital market, hence placing a greater premium on the productive use of resources.
- (b) Movement towards operating in an increasingly competitive market, and
- (c) Movement in management structure from command to results orientation, leading to greater incentives for managerial performance.

The study failed to find clear evidence to support these hypotheses, although in four or five of the cases there was some association between change in status and improved performance. However, the causality is by no means clear. For example, the decision to sell a public enterprise can lead government to initiate measures to boost its pre-sale performance, hence making it attractive to investors and maximising the returns to government.

Parker (1995) subsequently sought an explanation for the mechanism that might link change in corporate status to change in organisational performance. He undertook a further analysis of the qualitative data from the perspective of strategic contingency theory. The hypothesis was that change in corporate status would unlock the capacity of the organisation's management better to respond to adjust to the external environment. Such change, Parker argued, might occur in six spheres: developing managerial leadership, establishing commercially-oriented goals, creating divisionalised structures with greater managerial autonomy, introducing

performance management, greater flexibility in the nature and location of the business, and greater flexibility in human resource policies and systems. Parker found supporting evidence in six of the ten cases. However he also noted that such changes might have occurred without altering corporate status because of the broader cultural shifts arising from the adoption of the managerial ethos in the public sector. The research did not test for differences between organisations that had and had not changed status.

Considine's (2000) analysis of Australian employment services begins to fill this gap. He compared an employment assistance system that contained both private and public sector operators. His conclusion was that the best private operators outperformed those in the public sector. However the standard of performance by public agencies was more consistent. Considine accounts for these findings in terms of the differential impact of results-based funding on public and private agencies, rather than the corporate form of governance, and thus reinforces Parker's contingency explanation.

Public governance and democratic performance

The second issue concerns the relationship between forms of public governance and democratic performance. A small group of studies (e.g. Skelcher, Mathur and Smith 2005; Wälti, Kübler and Papadopoulos 2004; Weir and Hall 1994) have used criteria-based methods derived from the 'quality of democracy' literature to assess the democratic performance of national and local quangos, and multi-organisational collaborations in the UK. They find that these bodies have lower levels of democratic performance than elected bodies. Multi-organisational collaborations in particular tend to have a wide variation in the extent of their democratic performance.

However it can be argued from a managerialist perspective that reduced public transparency and accountability requirements can have a positive impact on organisational performance by allowing managers discretion in designing strategies to resolve public policy problems, and especially those

with a significant technical component or where public views are sharply divided. This is not to say that such decisions are somehow 'outside' politics. However policy deliberation could conceivably be aided by locating it in an arena in which competitive partisan politics is not the norm. This view has two somewhat conflicting justifications. One is the empiricist technocratic position that the application of 'value-free' knowledge and expertise holds out the promise of the wider public interest being served. The other is the populist democratic view that participation by all actors involved in a public policy issue offers the prospect of initial positions being transformed through informed dialogue such that a collective agreement is reached (Barber 1984; Reich 1990).

Some support comes from van Thiel's (2001) study of two Dutch ZBOs (quangos). Her initial conclusion, like that of Dunsire *et al*, is that change in organisational status does not necessarily lead to more efficient and effective policy implementation. However she conjectures that the political efficiency produced by quangos may be more important than their economic efficiency. This takes us in the direction of the theory of credible commitment (Bertelli 2006; Elgie and McMenamin 2005; Miller 2000), in which the arm's-length status of a public function insulates it from political contest and enables relatively uninterrupted policy implementation to proceed. Thus Moe's (2001) view is that, paradoxically, the lower level of accountability of US quasi-governmental bodies has an important benefit for the elected government.

Public governance and system performance

The third area of investigation concerns the relationship between public governance and system performance. Foster's (1997) study of special purpose governments in the US examines the proposition that single purpose public bodies have a capacity for focus that is more difficult to achieve where services are bundled together in a multi-purpose organisation, and that this is likely to be translated into stronger organisational performance. Foster uses the extensive US Census of Government data set to undertake a quantitative

comparison between areas where single purpose districts are widespread and those where multi-functional government is the norm. She demonstrates that single purpose governments have three main effects. First, there is upward spending bias, even after controlling for service demand factors. Special purpose governments spend more on capital projects, operations, and administrative expenditures. Foster explains this as a function of the economic and political effects of organisational specialisation. The economic advantages of scale are reduced, the costs of coordination are increased, and limited political visibility reduces the opportunity for scrutiny and accountability. Second, special districts cause policy-shaping effects. Areas with a high proportion of special districts have gains development and 'housekeeping' functions (i.e. collective consumption services such as libraries and parks), while social welfare services loose. She comments:

Given an opportunity to make discrete, rather than bundled, choices in a public services marketplace, middle- and upper-income residents are apt to pass over social welfare services, from which they derive little direct benefit, in favour of development and housekeeping services, which offer more direct payoffs to individual utility. (1997: 223).

Finally, Foster turns to the question of system performance. She finds that areas with a high proportion of special districts impact on the institutional capacity of system-wide governance. They aggravate co-ordination problems in areas that are politically fragmented (i.e. where policies and interests diverge) but conversely provide a means of accommodating diversity in politically uniform areas (for example, by enabling a public service to be governed by and delivered to an ethnic or religious minority). This reflects the issues examined some time earlier by Ostrom, Tiebout and Warren (1960), and that have continue to limited the possibilities for integrated governance across metropolitan areas in many parts of the US.

Initial conclusions

The main conclusions from these empirical studies are:

1. Change in governance arrangements *per se* do not cause changes in organisational performance. But where they involve greater organisational autonomy, they do motivate changes in management that can have a positive effect on organisational performance.
2. Changes in governance arrangements towards arm's-length status are associated with lower levels of democratic performance, over and above the loss of electoral competence.
3. Areas where governance arrangements are polycentric and specialised exhibit upward spending bias, oriented towards development and collective consumption services and away from social welfare services.
4. Single-purpose entities increase coordination problems but offer the potential for local communities to meet their distinctive service needs.

This analysis has four implications. First, the theoretical connections between forms of public governance and organisational performance are poorly supported by empirical evidence, a conclusion also drawn by Pollitt (2003) in his review of the research on agencies and quangos. This gap is not for want of methodological sophistication and analytical energy. The studies reviewed above are carefully designed and professionally executed pieces of work. But the number of potential causal relationships involved is too great to capture, reflecting the range of theoretical positions available on the issue and the complexity of the reality that researchers are trying to investigate.

Second, it is easier to establish the implications of governance arrangements for democratic and system performance than for organisational performance. This is because democratic performance is integral to the governance arrangement. Third, a number of governance forms are organisational hybrids (Borys and Jemison 1989). This accentuates the problem of modelling and drawing meaningful conclusions about the relationship between governance and organisational performance since it may not be clear how the constituent elements of the hybrid form will interact. For example, Cornford and Edwards (1999) show how the boards of non-profit organisations employ a variety of different roles and approaches. A classic tension for nominees

from public service organisations who hold positions as directors on companies created to deliver non-profit activity is between the strict view of the legal obligation on them to 'put the interests of the company first', or a more relaxed interpretation since they hold their directorships precisely to represent the interests of their nominating organisation.

Fourth, the studies show that positivist social science can take us so far in understanding the relationships between governance forms and organisational performance, but to date has not provided more than contingent findings. Even research that sets out to test the parsimonious hypotheses of public choice theory has difficulty in attributing changes in organisational performance to the policy prescriptions arising from this school of thought, as Boyne *et al* (2003) show in their careful analysis of three areas of UK public policy. Consequently there is a question about whether it is possible to uncover or validate scientific associations between governance arrangements to public service performance. Yet despite this, we see no signs that policy makers are lessening their willingness to engage in institutional design of new governance arrangements. If social science is to contribute to this process, it needs a new entry point.

DEVELOPING THE RESEARCH AGENDA ON GOVERNANCE AND PERFORMANCE

The development of the research agenda contains at least two elements. The first element is to critically examine the implied causality in predominant models of public service reform that particular changes in public service governance design will lead to improvements in performance. This section sets out a number of alternative causalities, illustrated with small-scale case studies undertaken in Denmark, the UK, the US, and the Netherlands during 2004. The focus of the discussion is specifically on the organisational dimension of performance; space does not permit the analysis to be extended into democratic or system dimensions of performance. The second strand in

a research agenda should be to consider the methodological approaches to be used by researchers in the field. The literature to date has largely used quantitative hypothesis testing operating from a positivist epistemology. However there are significant opportunities for knowledge development by adopting interpretivist approaches.

Exploring patterns of causality

The core hypothesis (H1) informing the policy of creating new forms of public governance, and the positivist assessment of their relationship to performance, is that the arrow of causality runs from 'governance' (G) to 'performance' (P) thus:

$$H1: G \longrightarrow P$$

In other words, performance is dependent on governance (for the sake of explication, intervening variables are ignored). For example, in the late 1990s politicians in England were concerned that a significant proportion of young people who left compulsory education system were neither going into the labour market or into further education. The policy response was to create an integrated occupational advice and personal support service delivered through local agencies. The creation of these agencies as independently constituted companies was specifically intended to create a distinctive identity and organisational coherence, and to demonstrate their independence of the agencies that had previously delivered these services. This focus was considered to be essential if performance in delivering the policy goal was to improve relative to the previous organisationally fragmented system.

H1 is only one of a number of other possible hypotheses. The converse to H1 is that governance arises because of performance (H2).

$$H2: G \longleftarrow P$$

Here, the design of the corporate form is motivated by the need to offer a framework to legitimate existing performance. For example, a small town in England had a very active but informal community network. The organisation was able to mobilise community efforts to deliver outcomes for the area, but was marginalised in its work because it lacked a formal corporate status. It decided to transform itself into a community-controlled company limited by guarantee in order to give its activities higher status with other organisations operating in the area. The form of public governance provided a wrap-around structure to legitimise the organisation in the eyes of key stakeholders, and to provide assurance for its performance in the future. However the ethos of the informal network was retained as far as possible. For example, the design of the board's accountability arrangements included considerable opportunity for citizen involvement.

A further variant is that the form of public governance undermines performance (H3).

$$H3: G \not\rightarrow P$$

For example, a museum and educational centre was established in Denmark. Its board was composed initially of professional scientists and distinguished supporters. The museum became highly significant to the life of the town in which it was located. As a result, local politicians pressed for membership on the board, a request that was eventually granted. This change in governance inserted a 'political' culture in to a board that had a tradition of scientific professional debate. This produced tensions. The scientists felt that their contribution was being undervalued. The politicians thought that the museum was not sufficiently in touch with local people. Until they were resolved, these issues reduced the capacity of the board to focus on improving the service performance of the museum.

The fourth hypothesis (H4) is that performance undermines the form of governance. This can be seen as the precursor of H1.

$$H4: G \not\leftarrow P$$

There are numerous instances where a concern that a public service is not performing at a sufficient level results in a change of governance form. For example, the widespread introduction of quasi-governmental organisations (quangos) of various forms in the UK and the US was motivated by a view that the public bureau form of governance had contributed to underperformance (Koppell 2003; Skelcher 1998). Conversely, high levels of service performance by units within a public service bureaucracy may lead to a bid for greater autonomy, thus undermining the prevailing form of governance.

The fifth hypothesis is that governance forms are the symbols used in a political struggle between different actors to capture the current or future performance of an organisation (H5). In other words, what is important is not performance per se, but the ability of different interests to attribute or explain that performance in terms of the form of public governance preferred by each ($G^1, G^2 \dots G^n$). Thus, if we assume that there are two contesting actors A^1 (favouring governance form G^1) and A^2 (favouring governance form G^2), A^1 will present the argument that G^1 will produce the desired performance and that G^2 will not:

$$H5: G^1 \longrightarrow P; G^2 \not\longrightarrow P$$

For example, bodies established as trading concerns but operating within a regulatory framework can explain their good (or poor) performance in two ways. It could be due to the organisation's board being able to operate in ways that are close to conventional business practice (or else, why adopt this model?). Or it could be due to the regulatory framework operated by government (or else, why create one?). Commercial orientation and governmental regulation are a compromise between market freedoms and government values. And because they are a compromise, there will always be a tension reflected in actors' attempts to negotiate the boundary to their

advantage. Wettenhall (1998) illustrates this with reference to the changing design of government-owned companies in Australia. The governance form (enterprise model or public interest regulation) thus becomes a symbol to be deployed in this process of negotiation.

The final and sixth hypothesis is that governance and performance are unrelated (H6).

$$H6: G \nleftrightarrow P$$

In this case, performance is a function of other variables including tradition, management, the nature of the community served, or the level of resources. Governance is there to provide an assurance of accountability and control, but operates at one remove from concerns about service performance.

Overall, therefore, the governance-performance causality is complex. The search by political actors for an institutional design that will deliver policy goals to a desired level of performance assumes that the causality runs in the direction indicated in H1. But there are a number of other possibilities, especially as one moves the analysis away from an apolitical environment and into the contestation found in governmental environments. Here, forms of governance are aligned with different discourses associated with competing sets of actors (Skelcher, Mathur and Smith 2005).

Reformulating the research design

This leads to the question of how researchers should respond to the problem of exploring the governance-performance relationship. At the level of generalisable, empirically supported causal statements, social science research has been able to contribute little to the normative project of designing governance institutions. There is certainly theory, and this has informed the design of public policy initiatives. But the empirical evidence on the relationship between governance arrangements and organisational

performance is weak. We simply do not know whether outcomes are achieved more effectively through an agency, a multi-organisational collaboration, or a politically headed bureau. What are the options, then, for policy-oriented social science research? There are two courses that could be followed.

The first possibility is to redouble the analytical effort within the largely positivist approach adopted thus far. This is the position advocated by Pollitt (2003) in his critical appraisal of the state of knowledge on the causes and consequences of autonomous bodies. He observes that research has given relatively little attention to explaining whether agencies and quangos are more economic, efficient or effective than any alternative governance arrangement, nor with identifying what conditions influence their capacity to achieve these gains. He argues that these, and other, research gaps might be met in three ways. The first is by undertaking work that utilises different theoretical perspectives in order to provide a more rounded picture of agency performance. The second is to develop middle-range theory that will help to explain variations between superficially similar organisational forms. And the third is to undertake comparative research in order to explain the impact of contextual factors.

This option could certainly be applied to the case of research on forms of public governance. However there are two reservations. The first is that the earlier discussion of several carefully designed and implemented studies shows that inconclusive results are not uncommon, reflecting the complexity of the measurement and modelling problems involved. The second limitation is that the nearer a theoretical formulation approaches to an empirical reality, the less generalisable and hence the more trivial it becomes. The specifics of context ('the creation of the agency was enhanced by a major allocation of resources') and individual behaviour ('the new director was well connected politically') squeeze out more generalisable and policy-relevant explanations of how public service performance is associated with the particular design of the organisation's governance.

This takes us to an alternative path for social science research into the performance dimension of different corporate forms for governmental action. By adopting an interpretivist position, explanation proceeds from an understanding that the context comprises different sets of logically inter-related ideas, theories and concepts ('discourses') that supply meanings to actors and offer a guide to practice (Fischer 2003). The discourses validate particular forms of governance in terms of their performance, and thus guide the practices of actors. In the current environment in the UK, for example, the discourse of 'partnership' validates collaborative forms of governance in which authority is shared between groups of 'stakeholders' (a term that is also associated with particular meaning systems) (Newman 2001).

From this perspective, governance and performance are understood as being enacted in a specific context, rather than being formal attributes of a system. For example, the way in which actors in the UK understand the discourse of 'partnership' leads to certain day-to-day practices that produce a particular pattern of organisational, democratic and system performance. Partnership may be understood as a managerial technique for working across organisational boundaries, or as a means of including citizens in deliberative policy making. These understandings are generative of practices that produce particular forms of performance, a point discussed in more detail elsewhere (Skelcher, Mathur and Smith 2005).

The task of applied social science research, then, is to uncover, illuminate and critically appraise the policy discourses and institutions that shape meanings and generate action in relation to particular policy questions (Yanow 2000). The purpose of this approach is to increase the public interest component of the governance design process by exposing underlying taken-for-granted assumptions, causal theories and meanings. This approach is more considered than Pollitt (2003) suggests in his critique of interpretive and constructivist theories. It has a place to play alongside research from a positivist tradition in advancing effective public policy solutions, but uses a different strategy to achieve this goal.

CONCLUSION

The contemporary environment is one in which there is considerable experimentation with forms of public governance. At the same time, the organisational performance of public services is under pressure for improvement. It is tempting to conclude that forms of governance impact on the performance of public services. The theory to support this is available. Hierarchy, market and network modes of governance each have potential gains in terms of organisational, democratic and system performance. And at a more detailed level, there are strong arguments as to why particular corporate forms might be expected to have benefits in terms of outcomes for citizens and users. However the empirical evidence to support this is problematic. The picture is more complex. And there are a number of other possible causal relationships between governance and performance.

So what is the 'best' form of governance? This is a question that can only be answered by understanding the predominant discourse applying in a particular context. Ideas change and evolve, and as they do so our understandings about preferred solutions change (Blyth 2002). The artefacts that are created by politicians and managers – boards, organisational types, performance systems, and so on – have a symbolic as well as a substantive reality. At the symbolic level, they are imbued with meanings arising from the predominant discourse. For example, 'board' could mean 'progressive' and 'modernised', or 'traditional' and 'outdated', depending on the terms of the debate. The meanings are used to interpret the performance of the organisation.

The interpretivist approach outlined above offers practical contributions to the real world dilemmas of policy makers. It does this by exposing the taken-for-granted and providing a critical insight into the institutional design solutions that are embedded in the prevailing discourse. In this way the analytical contribution of this social science method offers insights to the deliberative process through which public policy and governance arrangements are now

more commonly designed. Its value is in helping to clarify the choices facing policy makers, and in so doing contributes to a more informed debate in a complex world.

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